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No.

In the

Supreme Court of the United States

OCTOBER TERM, 1986

JOHN C. MEEHAN,

Petitioner,

vs.

PPG INDUSTRIES, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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QUESTIONS PRESENTED

Petitioner is a plumbing salesman who conceived an idea which he embodied in a written description, drawings and a market analysis (hereinafter "Method and Apparatus"). He sold the entire right, title and interest in his "Method and Apparatus" to a predecessor of respondent for periodic variable payments based upon net sales of respondent attributable to his idea. The written sales agreement conveyed a sole right in buyer to file for patents throughout the world, the decision to file being determinable only by buyer. The duration of the agreement was for a period of time not to exceed the life of any patent or patents granted to buyer on the "Method and Apparatus", or for ten years if no patent was granted. Great Britain, United States and Canada granted patents to buyer. The United States patent expired on January 4, 1983, and the Canadian patent expired on December 29, 1984. Respondent has refused to make payments for the period January 4, 1983 until December 19, 1984.

The questions presented are as follows:

1. Whether the Supreme Court *Aronson* case and the *Warner-Lambert* case (CA 2) each require enforcement of an assignment contract in which seller assigns all right, title and interest in an unpatented trade secret for periodic payments measured by a percentage of net sales of purchaser's use of the trade secret, the payments extending to the last to expire of patents which purchaser filed and obtained and which only purchaser had the sole right to file and obtain?

2. Whether the court below erred in applying the Supreme Court *Brulotte* case and in holding that a contract of sale of all right, title and interest in petitioner's trade secret can be subsequently converted into a sale of patent rights, and subject to federal patent policy, when only purchaser-respondent PPG had the right to file for and to obtain patents in its sole judgment and discretion?

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioner John C. Meehan respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Seventh Circuit entered in this proceeding on September 26, 1986.

OPINIONS BELOW

The opinion of the court of appeals is reported at 802 F.2d 881 (1986). It appears in the Appendix to this petition at 1a et seq. The opinion of the district court is reported at ..... F. Supp. .....; 227 USPQ 243 (D.Ct. N.D. Ill. 1985). It appears in the Appendix to this petition at 11a et seq.

JURISDICTION

The judgment of the court of appeals was entered September 26, 1986. This petition is being filed within 90 days of that date. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

STATUTES INVOLVED

The statutes involved are 28 U.S.C. §1254(1), 28 U.S.C. §1332 and §118 and §154 of the patent laws found in 35 U.S.C. §1 et seq.

STATEMENT OF THE CASE

Petitioner Meehan brought this breach of contract action in August, 1984 because respondent PPG stopped making payments required by the contract.* Each party brought a motion for summary judgment. Both parties agree that the terms of the contract require payments by PPG for the period January 4, 1983 through December 19, 1984. PPG acquired ownership of Meehan's unpatented trade secret by the terms of the contract. The court below, and respondent, claim that respondent's later filing for and obtaining patents triggered the implementation of federal patent policy which denied to Meehan payments for the above period for his prior sale of his trade secret.

In early 1963, petitioner Meehan conceived an idea for packaging and dispensing a chemical mixture which, when added to hydrocarbon fuel, prevented ice formation and bacterial build-up in internal combustion engines (hereinafter referred to interchangably as "Trade Secret" and "Method and Apparatus"). Meehan's conception was intended primarily for aircraft to prevent "flame-out" of aircraft engines.

During the year 1963 Meehan attempted to interest various companies in manufacturing and marketing his "Method and Apparatus". Before disclosure to any com-

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* Jurisdiction of the United States District Court was based on 28 U.S.C. 1332.

pany, he required that company to execute an agreement to hold the disclosure in confidence.

One of the companies he approached was Hoffman-Taff, Inc. of Springfield, Missouri, PPG's predecessor. After discussing the concept with Meehan in general terms, Hoffman-Taff expressed interest in its marketing possibilities and agreed to a disclosure in confidence. Immediately thereafter, Meehan disclosed his "Method and Apparatus" to Hoffman-Taff, including a written description, drawings and an analysis of potential markets for his concept. Hoffman-Taff decided to buy Meehan's concept.

In December, 1963, Hoffman-Taff invited Meehan to its offices in Springfield, Missouri for the purpose of making a business arrangement. Meehan attended the conference by himself; several principals, including general counsel, attended on behalf of Hoffman-Taff. Oral agreement was reached on the principal provisions of the present contract at that time.

Thereafter, the general counsel for Hoffman-Taff (Harry G. Neale of Neale, Newman, Bradshaw, Freeman & Neale in Springfield, Missouri) incorporated the oral understanding in the present agreement (App. 23a). The president and secretary (Harry G. Neale) of Hoffman-Taff executed the agreement on January 28, 1964 and mailed it to Meehan for his execution on January 30, 1964. At this time, no U.S. or foreign patent applications had been filed by Meehan; and no U.S. or foreign patents had been issued to Meehan.* (See Meehan Affidavit, App. 34a-39a)

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* The agreement refers to U.S. Patents 3,032,971 and 2,952,121 (App. 22a). These patents are owned by Phillips Petroleum Co. and are directed to the chemical mixture used in Meehan's "Method and Apparatus".

The Agreement

The sales agreement assigned all rights in Meehan's "Method and Apparatus" to PPG,*

> "the same to be held by PPG, its successors and assigns, for its own use and behoof as fully as the same would have been held and enjoyed by MEEHAN had this assignment and sale not been made." (App. 23a)

Meehan divested himself of all property rights in his trade secret. PPG became the owner.

The parties based the purchase price mainly upon PPG's *use* of the "Method and Apparatus" as set out in agreement paragraphs 2, 3 and 5. Except for $5000 Meehan received when the agreement was executed (Para. 2) and for $3000 PPG was obligated to pay each of the first two years of the agreement (Para. 5), the agreement provisions call for quarterly payments to Meehan based on a percentage of net sales by PPG "derived from selling or otherwise using said method and apparatus". (App. 23a)

The duration of the contract was totally controlled by PPG except for the first two years. First, PPG limited its money outlays to $11,000 for the first twenty-five months of the contract, after which it could discontinue use of the trade secret and walk away from the contract. (App. 26a, 27a). Second, under paragraph 11, if a third party subsequently conceived any method or apparatus not included in Meehan's disclosure which method or apparatus made Meehan's disclosure obsolete and unworkable and which PPG deemed it necessary to acquire or use, then PPG was completely relieved of all further

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* Hereafter, petitioner will refer only to PPG including quoted materials.

payments to Meehan after written notification by PPG. Third, PPG could simply manufacture and market Meehan's concept without applying for patent protection. In this event, the contract would terminate in ten years. (Para. 6, App. 27a)

Finally, in paragraph 6 if PPG decided to apply for, and did obtain, a patent or patents, then the assignment contract extended for "the life of any patent or patents" granted to PPG. Since PPG owned the patents, PPG could at any time terminate any patent's "life" by dedicating its patents to the public.

The PPG Patents

PPG acquired the right, but not the obligation, to file U.S. and foreign patent applications. PPG had sole judgment and sole discretion in making this determination under paragraph 8(a):

> "8. (a) HOFFMAN-TAFF shall immediately, at its own cost and expense, take such steps as may be necessary to determine whether the method and apparatus covered by this agreement may be patented, and if, in the sole judgment of HOFFMAN-TAFF and its attorneys, such method and apparatus may be patented, then HOFFMAN-TAFF shall file and prosecute with diligence an application for United States Letters Patent and such foreign patent applications as HOFFMAN-TAFF in its sole discretion may deem advisable. The terms of this agreement, as to payments to MEEHAN, are not dependent upon the issuance of any patent."

After its purchase of Meehan's disclosure, PPG filed an application for U.S. patent on April 8, 1964. In late 1965, PPG filed foreign patent applications in Canada and Great Britain. Each of the three patents issued to PPG as owner. The British patent expired on November 11,

1981. The U.S. patent issued on January 4, 1966 and expired on January 4, 1983. The Canadian patent issued on December 19, 1967 and expired on December 19, 1984.

PPG has failed to make its required payments to Meehan since January 4, 1983, the date of expiration of the U.S. patent. Meehan contends that the contract is not terminated until December 19, 1984, the date of expiration of the Canadian patent; and that the contract by its terms requires payment by PPG until December 19, 1984 for all domestic and foreign sales by PPG of product utilizing his "Method and Apparatus" whether such product is patented or unpatented.

REASONS FOR GRANTING THE WRIT

This case presents two questions worthy of review by this Court:

1. The court of appeals refused to follow the decision and reasoning of this Court in *Aronson* v. *Quick Point Pencil Company,* 440 U.S. 257 (1979) and the decision and reasoning of the Court of Appeals for the Second Circuit in *Warner-Lambert Pharmaceutical Company* v. *John Reynolds, Inc.,* 178 F.Supp. 655 (S.D. N.Y. 1959) aff'd 280 F.2d 197 (CA 2, 1960). Each of these decisions hold that a contract transferring rights in a trade secret for periodic payments is enforceable in perpetuity or for so long as the transferee continues to use the trade secret.

2. The court of Appeals has misapplied to the instant contract the holding of this Court in *Brulotte* v. *Thys Co.,* 379 U.S. 29 (1964) and the holdings of the Sixth Circuit and the Eleventh Circuit in *Boggild* v. *Kenner Products,* 776 F.2d 1315 (CA 6, 1985) and in *Pitney Bowes, Inc.* v. *Mestre,* 701 F.2d 1365 (CA 11, 1983). Each case involved an owner's transfer by license of patent rights or existing potential rights and the abusive exercise of leverage of those rights to extend the term of all patents involved beyond their life, the transferor always retaining title to said patents.

This Court recently confirmed that trade secret rights (governed by the states) and patent rights (governed by patent statute) exist side-by-side in intellectual property law; however, trade secret law and policy must give way if it conflicts with federal patent policy. This court pointed out that both policies have a common principal purpose,

namely to encourage early and complete disclosure of knowledge for the general benefit of the public (*Kewanee Oil Company* v. *Bicron Corporation et al.*, 416 U.S. 470, 1974).

The present case requires at least a showing that Meehan caused an interfering conflict with federal patent policy if Meehan's sale agreement is to be unenforceable. The decision below strained to connect Meehan with a violation of federal patent policy. It reasoned that the contract was entered into in "anticipation" of applying for patents (App. 6a, 8a-9a); that said "anticipation" is a sufficient *patent right* to invoke the rule of *Brulotte* (App. 9a); that seller Meehan *coerced* buyer PPG into accepting unenforceable provisions by exercising the abusive *leverage* of his trade secret (a part of which is his right to apply for a patent) (App. 9a); that Meehan expressly conveyed his right to apply for patents to PPG when he conveyed his unpatented disclosure (App. 7a); and that buyer PPG's application for and obtaining its patents after execution of the contract triggered the invocation of *Brulotte* and of federal patent policy (App. 7a).

Clearly, this contract was *not* entered into in "anticipation" of applying for patents. PPG extracted provisions from Meehan giving PPG alone the right to determine whether or not to file patent applications. PPG was not *required* to file as the lower court has erroneously stated (App. 9a). Under paragraph 8(a), PPG and its attorneys had "sole judgment" and "sole discretion" to determine whether or not to seek patent protection (App. 28a). Meehan had no right to impose a duty on PPG to file. By the conveyance, PPG became the owner of Meehan's unpatented disclosure. PPG satisfied its obligations whether or not it filed patent applications. Furthermore, contract payments are tied to the disclosed "Method and Apparatus", not to the scope of any patent (App. 23a-24a).

The court below states that "much more than mere trade secrets was conveyed under this contract" (App. 7a) pointing to the agreement words "invention" and "royalties", and the fact that payments for use were "variable" amounts and not a "set contract price" (App. 6a). The word "invention" refers specifically to the unpatented disclosure attached to the agreement, not to any *patent right*; invention is used in a generic sense, that is, subject matter not previously existing within Meehan's knowledge. The use of "royalties" or payments of variable amounts do not point unerringly to a patent contract; e.g. such terms are used commonly in oil or mineral contracts and were used in the trade secret contract in this Court's *Aronson* case. (p. 260)

The lower court erroneously concludes that coercion and leverage by Meehan is shown from the agreement provisions, particularly paragraphs 6,* 8(a), 8(b) and 10 (App. 9a). Each of these provisions is totally for the benefit of PPG, indicating the negotiating leverage of PPG as is most often the case when an individual tries to sell an unpatented disclosure to a corporation. Paragraph 6 sets out the limited duration of the contract, and paragraphs 8a, 8b and 10 obligate Meehan to assist PPG if PPG decides to file a patent application. Except for the payment provision paragraphs (3, 5, 7) and paragraph 17 (relating to default by PPG of its obligations), the remaining contract provisions are for the benefit of PPG and completely limit future action by Meehan in respect to his "Method and Apparatus".

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* The lower court incorrectly refers to paragraph 6 as having a "17" year provision. Paragraph 6 defines the term as "a period of time not to exceed the life of any patent or patents granted" to PPG.

The court below does not question that Meehan transferred to PPG his entire right, title and interest in his trade secret "Method and Apparatus". Such a transfer of ownership carries with it all common law and all statutory rights including the statutory right in PPG to file for a patent application whether expressly set out or not.*

The significant difference in our case (over *Brulotte* and its progeny) is that the *patent power* has always been owned by PPG, not Meehan who is being punished. The patent power has always been *controlled* by PPG. Only PPG has enjoyed the benefits of this control and power. If federal patent policy was implemented, only the actions of PPG caused such implementation.

Under its patent control and patent power, PPG had the right to exclude competitors, or to license competitors, under each of the three patents which it owned. Instead, PPG allowed each patent to run its course and to reap the benefits which each provided.

Every competitor of PPG can practice the invention of the U.S. patent after January 4, 1983. There is less burden on the public in the instant situation than there was in the license agreement in this Court's *Aronson* case where payments extended into perpetuity or so long as the licensee sold the product.

Furthermore, since PPG *controlled* each of the three patents by its *ownership* thereof, PPG has always had the power and right to terminate the *life* of each of the three patents involved by dedicating each to the public, and thereby avoiding further payment under the contract. PPG did not elect to take this course of action because it exacted benefits from the continuing existence of the patents.

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* 35 U.S.C. 118 entitled "Filing by other than inventor".

THE DECISION OF THE COURT BELOW IS CONTRARY TO THE DECISIONS OF THIS COURT AND OF THE SECOND CIRCUIT WHICH HOLD THAT A CONTRACT TRANSFERING RIGHTS IN A TRADE SECRET CAN BE ENFORCED BY THE TRANSFEROR FOR SO LONG AS THE TRANSFEREE USES THE TRADE SECRET

The court below incorrectly dismissed in one short paragraph the applicability of the latest case of this Court, *Aronson* v. *Quick Point Pencil Company,* 440 U.S. 257 (1979). The issue decided in *Aronson* is that periodic payments under a contract transferring rights in a trade secret are enforceable in perpetuity or for so long as the transferee continues to use the trade secret; and not whether federal patent law preempts state contract law or whether payments cease upon issuance of a patent as stated in the lower court's decision (App. 6a).

In *Aronson* v. *Quick Point,* Aronson disclosed a secret device in confidence to Quick Point, the device then being the subject of Aronson's pending patent application. Quick Point decided the disclosed device had commercial potential. Quick Point wanted the advantage of being first on the market, as did PPG herein.

Quick Point and Aronson entered into a licensing arrangement which was embodied in two separate documents. The first document was a license under Aronson's patent application for which Quick Point agreed to pay to Aronson a royalty of 5% of the selling price in return for the exclusive right to make and sell keyholders of the type shown in the application. The duration of this agreement had no precise date except that Quick Point had the right to cancel the agreement whenever "the volume of sales does not meet our expectations". (p. 259)

The second document was contemporaneous with the first. In this document Quick Point specifically bargained for rights in Aronson's trade secret and for the opportunity to be first in the marketplace, just as PPG did herein. However, Quick Point sought relief from the 5% provision in the license of the first document. If no patent issued in five years, then Quick Point agreed to a royalty of 2½% of sales for utilizing the trade secret and for the advantage of being first in the marketplace. No termination period was specified. Quick Point had the obligation to pay for "so long as you (Quick Point) continue to sell" the keyholders. (p. 259)

This Court saw two bargains - the first being contingent on patent issuance for its survival beyond five years - and the second being distinctly separate for the commercial utilization of Aronson's trade secret. Meehan's and PPG's bargain was for the transfer of rights in a trade secret as in Aronson's second document. Meehan had no patent application, so provisions allocating percentages as in Aronson's first document would be meaningless. PPG acquired complete control over Meehan's trade secret.

While Aronson's second document purported to license a trade secret, which is something less than the assignment made by Meehan, both the Aronson agreement and the Meehan-PPG agreement effected the transfer of rights in a trade secret. This Court recognized such agreements as the domain of state law:

> "Commercial agreements traditionally are the domain of state law. State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable, the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law." (p. 262)

Accordingly, the decision and the reasoning of the Court in Aronson controls the instant assignment contract. In fact, the Meehan-PPG contract is enforceable for even stronger reasons than in Aronson. Payments in Aronson's agreement extend in perpetuity; payments in the instant assignment extend for a time certain, which time is only determinable by the buyer PPG. Neither Aronson's second document nor Meehan's assignment transferred any rights in a patent or a patent application. Both Quick Point and PPG bargained for and received the opportunity to be first in the marketplace.

In sustaining the enforceability of Aronson's agreement requiring payments in perpetuity on the trade secret, this Court remarked (p. 262),

> "Assuming arguendo that the initial letter and the commitment to pay a 5% royalty was subject to federal patent law, the provision relating to the 2½% royalty was explicitly independent of federal law."

and then further stated,

> "Enforcement of these contractual obligations, freely undertaken in arm's length negotiations and with *no fixed reliance* on a *patent* or a *probable patent grant*, will
>
> > 'encourage invention in areas where patent law does not reach, and will prompt the independent innovator to proceed with the discovery and exploitation of his invention. Competition is fostered and the public is not deprived of the use of valuable, if not quite patentable invention.'"
>
> * * *
>
> "The device which is the subject of this contract ceased to have any secrecy as soon as it was first marketed, yet when the contract was negotiated the inventiveness and novelty were sufficiently apparent to induce an experienced novelty manufacturer to

> agree to pay for the opportunity to be first in the market. *Federal patent law* is not a barrier to such a contract." (p. 266) (emphasis added)

Just as in *Aronson,* the enforcement of the present assignment does not deprive the consuming public of the benefits of the unrestricted exploitation by others. Anyone can copy the patented invention of PPG after the date its patent expired, January 4, 1983. The assignment merely requires PPG to pay the full purchase price consideration which it promised to pay. As this Court stated in *Aronson* (pg. 264):

> "Enforcement of Quick Point's agreement, however, does not prevent anyone from copying the keyholder. It merely requires Quick Point to pay the consideration which it promised in return for the use of a novel device which enabled it to preempt the market."

Even before *Aronson,* courts have supported the present contention of Meehan. In the "Listerine" case (*Warner-Lambert Pharmaceutical Company* v. *John Reynolds, Inc.,* 178 F.Supp. 655 (S.D. N.Y. 1959, aff'd 280 F.2d 197 (CA 2, 1960), the assignor sold the trade secret formula used in the preparation of "Listerine" mouthwash for a monthly royalty based on sales and to be paid assignor or his heirs "for each and every gross of said Listerine hereafter sold" by assignee. In 1959 assignee's successor sought to extricate itself from the contract just as PPG herein.

The court found the agreement terms to be plain and unambiguous and enforced the assignment for so long as assignee's successor sold product embodying the trade secret. Similiarly, PPG should be required to pay the remainder of its promised purchase price.

THE COURT BELOW ERRONEOUSLY APPLIED THIS COURT'S BRULOTTE DECISION AND DECISIONS OF THE SIXTH AND ELEVENTH CIRCUITS IN HOLDING UNENFORCEABLE A CONTRACT ASSIGNING ALL RIGHTS IN A TRADE SECRET

The court below relied upon *Brulotte* v. *Thys Co.*, 379 U.S. 29 (1964), *Pitney Bowes, Inc.* v. *Mestre,* 701 F.2d 1365 (CA 11, 1983) and *Boggild* v. *Kenner Products,* 776 F.2d 1315 (CA6, 1985) in precluding Meehan from enforcing the assignment agreement for the contested period of time January 3, 1983 through December 19, 1984. The three cases are factually similar except for the nature of the rights transferred. The *owner* of patents transferred existing patent rights in *Brulotte*; the owner of patent applications transferred potential patent rights in *Pitney Bowes;* while in *Boggild* the agreement first required the licensor to apply for patents and then transferred those potential patent rights to licensee. Each transferor retained ownership and control of the patent power in each case. In contrast herein, PPG owned the unpatented disclosure by the contract of sale; only PPG had the right to determine whether or not to file for patents; only PPG had the right to determine the duration of the contract; and in the unpatented disclosure, any rights in the nature of patent rights are completely inchoate at best.

The Decision in Brulotte Specifically Excludes the Sale of an Unpatented Asset for Long-Term Payments from its Holding

In the *Brulotte* case, the licensor owned several patents whose inventions were incorporated in hop picking machines sold to licensees. Each licensee paid a flat sum for each machine, and each licensee was granted a *use license* under the patent rights to use the machine

for a royalty. Each of the seven patents had expired in 1957, but the patent license provided for payments by each licensee for use of the patented machines beyond the termination date of all of the patents. The court held the patent licenses unenforceable beyond the termination date of the patents where the leverage of the patents was used to extract payments in the post-expiration period.

This Court specifically distinguished the Meehan-PPG factual situation in which the sale of an unpatented asset is purchased by periodic payments over a period of time. While this Court pointed out that a patent owner can not use the leverage of his patent to force the licensee to accept license provisions which project royalty payments beyond the life of the owner's patents, the Court stated that in contrast (pg. 32),

> "The sale • • • of unpatented machines on long-term payments based on a deferred purchase price or on use would present wholly different considerations."

Herein, PPG agreed to deferred payments based on use of the trade secret (not patent rights), and in return acquired ownership of Meehan's unpatented disclosure together with the right at its sole option and "sole discretion" to file for domestic and foreign patents. The contract required periodic variable installment payments (rather than a flat sum purchase price) based on PPG's "net sales" realized from the use of Meehan's unpatented trade secret.

The restricted holding in *Brulotte* is directed to the *patent owner* and is intended to limit his benefits to the period of life of the patent:

> "A *patent* empowers *the owner* to exact royalties as high as he can negotiate with the leverage of that

> monopoly. But to use that leverage to project those royalty payments beyond the life of the patent is analogous to an effort to enlarge the monopoly of the patent by tying the sale or use of the patented article to the purchase or use of the unpatented ones. • • • The exaction of royalties for use of a machine after the patent has expired is an assertion of monopoly power in the post-expiration period when, as we have seen, the patent has entered the public domain." (Pg. 33) (emphasis added)

By this language, this Court never intended to punish a *seller* of an unpatented disclosure; nor did it intend to relieve the *buyer* of its obligation to complete the purchase price of such unpatented asset where no *leverage* of a *patent right* existed in the seller.

The Lower Court Erred in Concluding that the Sales Agreement Transferred from Meehan to PPG "Patent Rights" within the Meaning of the Brulotte Decision

A patent right is a governmental grant to an inventor of the right to exclude third parties from making, using or selling his patented invention (35 U.S.C. 154). No such right, and no such potential right, was conveyed by Meehan to PPG in the assignment.

The court below correctly stated that the contract expressly transferred to PPG the right to apply for patents. The transfer of ownership in the disclosure included this right whether expressed or not. The court incorrectly stated (fn App. 8a) that "Without an agreement like the present one, the manufacturer would have no right to obtain patent protection" (See 35 U.S.C. 118 which provides for "Filing by Other than Inventor", namely, by the owner of the disclosure when the usual applicant cannot be found or refuses to cooperate).

The granting of a *right to later file a patent application* (and Meehan's assumption of the later obligation to perfect title in PPG) is not the grant of a patent right as defined in the statute above, nor is such right to later file the kind of patent right to which the *Brulotte* case refers. Such a grant permanently extinguishes any possibility that Meehan will ever become owner of any patent rights in his trade secret. Under the contract, only PPG could make the determination to file or not to file. Meehan retained no such right. The contract specified, paragraph 8(a), that PPG shall:

> "take such steps as may be necessary to determine whether the method and apparatus covered by this agreement may be patented, and if, in the *sole judgment* of PPG and its attorneys, such method and apparatus may be patented, then PPG shall file and prosecute with diligence an application for United States Letters Patent and such foreign patent applications as PPG in its *sole discretion* may deem advisable." (emphasis ours)

The Narrow Rule of Brulotte is Inapplicable to the Assignment of an Unpatented Trade Secret

The agreement in *Brulotte* was a license of *patent rights* in twelve existing Letters Patent by the *owner* of those patents. The present agreement is a sales contract of an *unpatented* trade secret. No *patent rights* were transferred by the present assignment. At the time of the assignment, no patent rights existed covering the trade secret. The seller Meehan retained no property right in the trade secret after the contract was executed. In *Brulotte,* the licensor owned and controlled the licensed patents.

In addition to being restricted to a patent license agreement, the admonitions of the *Brulotte* case are directed to

the *patent owner*. PPG has always been the patent owner. Meehan has never been a patent owner. Meehan was the *seller* of an unpatented asset. PPG was the *buyer* of that unpatented asset who *later* elected in its "sole judgment" and its "sole discretion" to file applications for domestic and foreign patents. (Agreement, Para. 8(a), App. 28a)

Brulotte is further distinguished in that the licensor-patent owner determined how long the agreement was to remain in effect by specific provisions in the executed contract. In the present case, the duration of the agreement was completely determined only by the buyer and patent owner PPG. Certainly Meehan did not cause any extension in purchase price payments due him by PPG. The instant assignment does not require PPG to file for patents; PPG had sole discretion to file or not to file. PPG freely caused the extension in its own economic self-interest.

The decision in *Brulotte* is directed to, and circumscribes, the actions of the patent owner, i.e. the patent owner cannot exert the coercion or leverage of his patents to force a licensee to accept contract terms which are beyond the bounds of the patent rights granted by the government to the patent owner. Herein PPG is, and always has been, the patent owner. Meehan is not the patent owner; he has never been a patent owner; he has never licensed or sold a patent or a patent right. Meehan did not, and could not exert leverage or coercion upon PPG using patents which he has never owned.

In *Brulotte* the patent owner sought to extend and enhance his benefits beyond the life of his patents. Herein, patent owner PPG seeks to extinguish and diminish his

payment obligations by attributing the misuse of *Brulotte* to a seller (who never owned a patent) by allegations of unlawful contract extension which extension was effected by patent owner PPG, not Meehan.

A two tier royalty is not required when the sale contract transfers only ownership rights in a trade secret. Respondent's predecessor's counsel drafted the present agreement after the 1963 negotiations (App. 37a). PPG extracted from Meehan the rights to limit the contract duration so as to also limit its payment obligations in accordance with the commercial value realized by PPG's use of the disclosure. Meehan gambled that his disclosure would be sufficiently commercially viable that PPG would decide to keep the agreement in effect.

The parties tried to measure the worth of the trade secret by the contemplated future speculative value of the disclosure in the marketplace. They knew a considerable period would pass before the "Method and Apparatus" would penetrate the market. In fact, annual sales did not reach one million dollars until 1980 (App. 40a). The reference to the "life of any patent or patents" in agreement paragraph 6 merely measures the maximum potential commercial value of the disclosure. Predecessor counsel included the provision for assurance that PPG would enjoy any patent monopoly it obtained completely to its end. Just as in *Aronson*, the "two tier" royalty contention is inapplicable to the simple sale of a written document containing a trade secret.

THE LOWER COURT DECISION DEFEATS THE POLICY OF ENCOURAGING EARLY AND COMPLETE DISCLOSURE OF TRADE SECRETS FOR THE BENEFIT OF THE PUBLIC AT LARGE

The law relating to the sale of an unpatented disclosure should contain some ordinary logic which the common layman can understand. The lower court's decision applies federal patent policy to the sale of an unpatented disclosure. The decision imputed the actions of the patent owner to the vendor of the trade secret and relieved the patent owner from paying its agreed purchase price.

Assume Meehan sold an unpatented disclosure to PPG for the sum of $50,000, payable $2,000 each year for twenty-five years. The sales contract does not mention the right to file for patents. Under 35 USC 118, PPG files a patent application (as it has a right to do as the disclosure owner), and a patent issues to PPG at the end of the twentieth year. Is PPG relieved of the last five payments under the contract? Which party has triggered the application, if any, of federal patent policy?

The rationale of the decision of the court below relieves PPG in the above situation. The decision thwarts the principal purpose of trade secret policy and of patent policy, namely, to encourage complete and early disclosure for the benefit of the public. If the decision of the court below stands, then certainly every contract transferring trade secret rights should include severe restrictions limiting the degree of public disclosure only to that necessary to practice the art of the trade secret.

The *Brulotte* doctrine should be restricted to the situation in which *coercion* is exerted by an *owner* of patent rights in *leveraging* those rights to extract contract provisions extending beyond the patent grant; and that doctrine should not be extended to the simple sale of an unpatented disclosure as herein.

CONCLUSION

For the above reasons, a writ of certiorari should issue to review the judgment and opinion of the Seventh Circuit.

Respectfully submitted,

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No.

In the Supreme Court of the United States

OCTOBER TERM, 1986

JOHN C. MEEHAN,
Petitioner,

vs.

PPG INDUSTRIES, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

APPENDIX

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APPENDIX A

IN THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

No. 85-2495
JOHN C. MEEHAN,

Plaintiff-Appellant,

v.

PPG INDUSTRIES, INC.,

Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.
No. 84 C 6967—BERNARD M. DECKER, *Judge.*

ARGUED APRIL 11, 1986—DECIDED SEPTEMBER 26, 1986

Before CUMMINGS, *Chief Judge,* BAUER and FLAUM, *Circuit Judges.*

CUMMINGS, *Chief Judge.* Plaintiff brought this breach of contract action in 1984 when defendant stopped making him royalty payments for sales of his invention. The contract involved an assignment of rights in a "method and apparatus" invented by the plaintiff. The three patents on plaintiff's invention have since expired. Although the contract required defendant to make royalty payments to plaintiff until the expiration of all patents, defendant refused to pay royalties for sales in the United States after the expiration of the only United States patent.

Both parties brought motions for summary judgment. On July 3, 1985, the district court granted defendant's motion and denied plaintiff's motion. Plaintiff then brought this appeal. The sole issue on appeal is whether the district court correctly decided that the royalty provisions of the contract were unenforceable as a matter of federal patent law. We affirm the order of the district court.

The facts in this case are undisputed. The plaintiff, John Meehan, invented a method and apparatus for the packaging and dispensing of anti-icing products, which when added to fuels in internal combustion engines prevent ice formation. In a contract executed January 30, 1964, Meehan conveyed exclusive rights in the invention to Hoffman-Taff Corporation. Hoffman-Taff's rights and obligations under the agreement were subsequently assumed by defendant PPG Industries.

At the time that the agreement was entered into Meehan had not filed a patent application for the invention. But the contract did require PPG to determine immediately whether the invention was patentable and, if so, to pursue an application for a U.S. patent. Meehan was required to assist in a technical capacity, as well as to furnish the necessary information and complete the necessary documents in the patent application process. The contract also transferred the patent, once it issued, to PPG.

Ultimately patents were granted in the United States, Canada, and the United Kingdom. The three patents expired in the following sequence: British patent, November 11, 1981; U.S. patent, January 4, 1983; Canadian patent, December 19, 1984. Since the U.S. patent expired, PPG has made no royalty payments on sales of plaintiff's invention in the United States.

Meehan sued PPG for breach of contract in 1984. The contract was interpreted as requiring PPG to continue paying plaintiff royalties on all sales until the last patent expired, or in December of 1984. PPG defended, asserting that any obligation it had to continue paying plaintiff royalties beyond the life of the U.S. patent was unenforceable under federal patent law. The district court agreed with PPG and granted summary judgment in its favor. We affirm.

1. Discussion

Article I § 8 of the Constitution empowers Congress to grant inventors limited monopoly rights in their discoveries. Congress exercised that power by giving inventors the right to exclude others from making, using, or selling the idea for 17 years. 35 U.S.C. § 154. The policy behind this federal patent law is to give a 17-year monopoly to inventors in exchange for release of the invention to the public upon expiration of the patent. *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 255; *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185. Thus for a limited time the inventor may profit exclusively from the invention on condition that the invention goes public after 17 years. Even this limited monopoly right has extensive social and economic consequences for the public and therefore the courts are ever watchful of the possibility that patent monopolies will overstep their bounds. *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816. Consequently the policy and purpose of the patent laws is undermined by any attempt to extend or preserve the patent monopoly beyond the 17 years. *Scott Paper*, 326 U.S. at 255-256.

Accordingly, in *Brulotte v. Thys Co.*, 379 U.S. 29, the Supreme Court held that licensing agreements extending royalty payments beyond the life of an issued patent were

unlawful. In *Brulotte,* an owner of patents on hop-picking techniques sold machines to farmers for a flat sum. With each sale the owner also executed a licensing agreement requiring payment of a royalty. All of the patents expired before the licenses; nonetheless, the terms of the licenses remained identical both before and after the last patent expired. When the hop farmers eventually refused to pay the royalties, the owner sued to enforce the licenses under state contract law. The farmers defended claiming misuse of the patents. The Supreme Court held that the owner had improperly used the leverage of his patent to extend the monopoly. *Id.* at 32. The Court based its conclusion on the unchanging nature of the license agreement terms after the patent expired; continuation of patent protection limitations and identical amounts of royalties due. *Id.* Because the terms failed to distinguish between the pre-expiration and post-expiration periods, the Court was unable to determine whether or not the post-expiration royalties were subject to the leverage of the patent. *Id.* Without evidence that the post-expiration royalties were not tied to the patent, the Court assumed that they were. "In light of those considerations, we conclude that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se.*" *Id.*

The Eleventh Circuit's decision in *Pitney Bowe's, Inc. v. Mestre,* 701 F.2d 1365 (1983), certiorari denied, 464 U.S. 893, applied *Brulotte's* rule of *per se* invalidity to an agreement specifically encompassing both patent and trade secret rights and where the patents were only pending at the time the agreement was entered into. In *Pitney,* the inventor had applied and was awaiting patents for his inventions. The prospective patent owner executed four licenses granting exclusive right to make and sell different paper handling machines. Like *Brulotte,* the roy-

alty and use provisions did not distinguish between rates of payment for the pre-expiration and post-expiration periods or between royalties attributable to patent rights and those for trade secret rights. These hybrid royalty payments extended beyond the life of the patent. The Eleventh Circuit ruled that once the patent issued the conflicting and indistinguishable trade secret provisions were unenforceable. Thus the *Pitney* Court held that misuse of the leverage afforded by a pending patent was subject to the *Brulotte* rule of *per se* invalidity. See also *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 264-265. In *Pitney*, the court reasoned that the anticipation of the issuance of a patent provided sufficient bargaining power to warrant application of the *Brulotte per se* analysis.

The Sixth Circuit, relying on *Brulotte* and *Pitney*, took the analysis one step further in *Boggild v. Kenner Products*, 776 F.2d 1315 (6th Cir. 1985), certiorari denied, 106 S. Ct. 3284. *Boggild* involved a set of facts remarkably similar to the case presented before this Court. In *Boggild*, the plaintiffs invented a toy extruder to be used with Play-Doh. These plaintiffs sold an exclusive license to make, use, and sell the extruder to Kuto/Products, which subsequently assigned its rights to Kenner Products. No patents for the extruder had been applied for when the agreement was executed. However, the agreement required the plaintiffs to apply promptly for mechanical and design patents on the extruder. Patents were subsequently issued. The agreement required Kenner Products to make royalty payments for 25 years, regardless of whether the patents issued. The Sixth Circuit held that the *Brulotte* rule of *per se* invalidity precluded enforcement of license terms that were entered into in anticipation of patent protection and that required royalty payments beyond the life of the patent. *Id.* at 1319. Because the agreement did

not contain provisions for reduction of post-expiration royalties and because the use restrictions on the extruder were the same in the post-expiration and pre-expiration periods, it was held unlawful. *Id.* at 1321.

Aronson v. Quick Point Pencil Co., 440 U.S. 257, is not to the contrary. In *Aronson*, the Supreme Court reversed an Eighth Circuit decision applying *Brulotte* to an agreement in which the patent applications, although anticipated, ultimately failed. The *Aronson* Court held that absent an issued patent, federal patent law will not preempt state contract law. *Id.* at 265. The Court explicitly noted, however, that had the patent issued, enforcement of the royalty for exclusive rights beyond the life of the patent would have been precluded. *Id.* at 263-264.

2. Application of Law to Facts

We agree with the Sixth Circuit's holding that the *Brulotte* rule should be extended to agreements entered into in anticipation of applying for patents. The plaintiff raises three arguments against the application of *Brulotte*: (1) plaintiff sold only trade secret rights not patent rights; (2) the royalty payments merely constituted installment payments for the full contract price of the trade secret; (3) there was no patent issued at the time the contract was entered into.

Meehan first argues that the contract was for the sale of a trade secret, not the sale of patent rights. The terms and language of the agreement simply do not bear that out. The contract uses the term "invention" when identifying what Meehan is selling; nowhere in the contract is the term "trade secret" mentioned. The term "royalties" is also used when describing the payments Meehan will receive under the contract. Moreover, the contract

expressly transfers the right to apply for and obtain a patent in ¶ 2. Obviously, much more than mere trade secrets was conveyed under this contract.

Meehan then argues that the right to apply for a patent is not a patent right. Therefore, the argument continues, this contract does not involve a transfer of patent rights and *Brulotte* does not apply. This is but semantics; Meehan transferred the only patent interest he had at the time. What plaintiff fails to recognize is that *Brulotte* is not concerned with restrictions on the sale of patent rights but rather the impact of such arrangements on the policies and purposes of the federal patent laws. Meehan could not have transferred a "patent right" because he did not have one yet. It is the issuance of the patent that triggers *Brulotte's* application, not the transfer of the rights. See *Boggild,* 776 F.2d at 1319; see also *Aronson,* 440 U.S. at 261.

Meehan next contends that the provision for royalty payments is merely an installment method of paying the full contract price of his trade secret. Several facts refute that explanation. Royalty payments by their nature are variable and depend on the market success of the invention; this belies the notion that some set contract price was agreed to and instead suggests that the payments were for use of the product during the post-expiration period. See *Brulotte,* 379 U.S. at 31. Also, the contract specified that if no patent issued then payments would cease in 10 years; if anything represents the value of the trade secret it would be only ten years of "installment" payments. Furthermore *Brulotte* has explicitly rejected Meehan's argument. *Brulotte* stated that when the license provisions fail to distinguish between post- and pre-expiration royalty amounts, the royalties do not constitute deferred payment for use during the pre-expiration

period or long-term payments on a sale of unpatented products. 379 U.S. at 21-32. Identical payments in the post-expiration period are "a telltale sign that the licensor was using the licenses to project its monopoly beyond the patent period. They forcefully negate the suggestion that we have here a bare arrangement for a sale or a lease at an undetermined price, based on use." *Id.* at 32.

Finally, Meehan advances the argument that because there was no patent at the time the contract was entered into, *Brulotte* should not apply. Two circuit court of appeals decisions directly conflict with that position. In neither *Pitney* nor *Boggild* was a patent issued during the course of contract negotiations. In fact, *Boggild* explicitly held that the *Brulotte* rule applied to license provisions developed in anticipation of patent protection. And like *Boggild* the parties in this case obviously anticipated patent protection for Meehan's invention.

Even when an inventor has not yet applied for a patent, the right to apply for and obtain those protections is valuable.[1] Such a right places the inventor in a strong bargaining position. It is that abuse of that leverage over which the Supreme Court expressed concern in *Brulotte*. We agree with the Sixth Circuit that:

> the same violations of patent law arising from abuse of the leverage attached to a pending or issued patent can arise from abuse of the leverage afforded by an expressly anticipated application for a patent.

776 F.2d at 1320.

This leverage is apparent from the terms of the agreement. The parties' anticipation and expectation of an is-

---

[1] Under the patent laws normally only the inventor may apply for a patent. *See* 35 U.S.C. §§ 111, 115, 116, 117. Without an agreement like the present one, the manufacturer would have no right to obtain patent protection.

sued patent appear throughout the contract. Paragraph 8a, which requires that PPG promptly file and diligently prosecute a patent application, strongly suggests the parties contemplated an early patent application. Paragraphs 8b and 10 required Meehan to remain technical advisor to and provide information assistance to PPG in making the patent application. And in ¶ 6 PPG agreed to pay royalties for only 10 years if no patent issued but for over 17 years (the life of the patent) if a patent issued. The prominence of these terms reveals that the parties negotiated their agreement in anticipation of a forthcoming patent. The terms themselves demonstrate that Meehan exerted considerable leverage from the anticipation of a future patent. "In our view, the absence of a patent application is, under the circumstances, irrelevant to the analysis under *Brulotte.*" *Boggild,* 776 F.2d at 1321.

The terms of the contract must be examined before deciding whether Meehan abused this leverage from the anticipated patent. As in *Brulotte, Pitney,* and *Boggild,* this contract fails to distinguish between pre-expiration and post-expiration royalties. The exclusive rights conferred by the contract do not change in the post-expiration period. Although it is true, as Meehan argues, that parties can contract for trade secret payments to extend beyond the life of a patent, there must be some provision that distinguishes between patent royalties and trade secret royalties. *Brulotte,* 379 U.S. at 31-33. In this contract not only does the rate of royalty payments remain constant in the post-expiration period, but under the terms of the contract if a patent had not issued payments would have ended after only ten years. If anything, the remaining seven-plus years of payments represent the value of the patent right, not the trade secret rights. Nonetheless, it

is the lack of clarity that is dispositive in this case. Under *Brulotte* when royalty payments extend unchanged beyond the life of a patent, patent leverage has been abused and the agreement is unlawful *per se*.

Because the terms of the agreement demonstrate that the plaintiff used his right to obtain a patent to project his monopoly power beyond the patent period, the agreement is *per se* unlawful. Therefore, we affirm the district court's decision

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Clerk of the United States Court of Appeals for the Seventh Circuit

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

JOHN C. MEEHAN, Plaintiff,	)	
-vs-	)	NO. 84 C 6967
PPG INDUSTRIES, INC., Defendant.	)	

MEMORANDUM OPINION AND ORDER
ENTERED JULY 3, 1985

John C. Meehan (Meehan) brought this diversity action for breach of contract against PPG Industries, Inc. (PPG). In 1964, Meehan assigned an invention to PPG's predecessor-in-interest. PPG paid Meehan royalties pursuant to the contract until the U.S. patent covering the invention expired in January, 1983. The case is before the court on cross-motions for summary judgment.

I. *Factual Background*

The following facts are largely undisputed. In the early 1960's, Meehan, a salesman for a plumbing and heating supply company, conceived an anti-icing additive for private aircraft engines. In 1963, Meehan attempted to market his so-called "method and apparatus" for packaging and dispensing his invention. One of the chemical companies he contacted, Hoffman-Taff, Inc., the predecessor corporation of PPG, expressed interest in the market potential of Meehan's invention.[1]

[1] For the purposes of simplification, the contract will be considered as one between Meehan and PPG.

After PPG signed a confidentiality agreement, Meehan disclosed his invention to it. By the end of December, 1963, Meehan had orally agreed to sell all rights and interests in his invention to PPG. Accordingly, on January 30, 1964, the parties executed a written contract of assignment.

Under the contract, Meehan agreed to

> sell, assign and transfer unto [PPG] . . . the full and exclusive right to apply for and obtain . . . patents or other like protection . . . for . . . the . . . method and apparatus covered by this contract in the United States and all foreign countries . . . and all the right and authority . . . to make, use, manufacture and vend the . . . method and apparatus . . .

Exhibit "A" to Complaint at ¶2. In exchange for this exclusive assignment, PPG contracted to pay Meehan a variable sum of royalties on sales "derived from selling or otherwise utilizing" the method and apparatus. *Id.* at ¶3. The parties' cross-motions revolve around the interpretation of the following provision:

> The payments above provided for shall be payable by [PPG] to MEEHAN for a period of time not to exceed the life of any patent or patents granted upon the method and apparatus covered by this contract, and if no patent is granted, for a period of time not to exceed ten (10) years from the date of this contract.

Id. at ¶6.

On the contract date, Meehan had not filed any patent application for his invention. The contract, however, obligated PPG to immediately "determine whether the method and apparatus . . . may be patented, and if, in the sole judgment of [PPG] and its attorneys, such method and apparatus may be patented, then [PPG] shall file and prosecute with diligence an application for United States Letters Patent . . . ." *Id.* at ¶8(a). In this connection,

Meehan assented to render such technical assistance, furnish all available information, and execute all documents necessary for the purpose of applying for and successfully prosecuting a patent application. *Id.* at ¶¶8(b), 10. If patents issued, the contract provided that Meehan "shall . . . legally and completely assign, transfer and convey to [PPG] said Letters Patent." *Id.* at ¶8(b).

Pursuant to the contract, patents covering Meehan's invention were applied for and granted in the U.S., Canada, and the United Kingdom. The U.S. patent (No. 3,227,196) issued on January 4, 1966 and expired on January 4, 1983. The British patent lapsed without renewal on November 11, 1981. Finally, the Canadian patent (No. 773,811) did not expire until December 19, 1984. The contract neither segregates royalty payments according to these patents nor differentiates between the rate of such payments before and after expiration of the patents.

PPG paid Meehan royalties under the contract until January 4, 1983, when the U.S. patent expired. Since that date, PPG has made sales in the U.S. deriving from Meehan's invention but has made no further royalty payments.

Meehan sued for breach of contract in 1984. Under his construction of the contract, PPG was obligated to pay royalties until the last of the U.S. or foreign patents expired. Thus, plaintiff argues that he was entitled to royalties through December 19, 1984, when the Canadian patent expired. Citing *Aronson* v. *Quick Point Pencil Co.*, 440 U.S. 257 (1979), plaintiff insists that 1) he contracted to sell nothing more than a trade secret and, therefore, 2) the term of the contract is enforceable as written under applicable state law.[2]

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[2] The contract is expressly governed by Missouri law, Exhibit "A" to Complaint at ¶19.

In contrast, PPG asserts that its obligation to pay royalties to Meehan ceased on January 4, 1983 as a matter of federal patent law. PPG does not dispute Meehan's interpretation of the contract language that the agreement was to remain in effect through the life of he last-to-expire patent. Rather, PPG argues that plaintiff's construction would improperly extend the obligation to pay royalties on sales of the patented invention for nearly two years after the expiration of the U.S. patent. PPG invokes *Brulotte* v. *Thys Co.*, 379 U.S. 29 (1964) for the proposition that such an extension is unlawful *per se*, state contract law to the contrary notwithstanding.

Because this case presents a pure question of law, summary judgment is an appropriate vehicle for adjudication. Summary judgment shall be granted only if "there is no genuine issue as to any material fact and . . . the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c).

II. *Discussion*

In *Brulotte* v. *Thys Co.*, 379 U.S. 29 (1964), the Supreme Court considered the effect of a license agreement which provided for the payment of royalties beyond the life of the underlying patents. The Supreme Court held that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*." 379 U.S. at 32. Noting that federal patent rights become public property once the 17-year period of protection ends, the Court emphasized that, " 'whatever the legal device employed'[,] a projection of the patent monopoly after the patent expires is not enforceable." *Id.* (quoting *Scott Paper Co.* v. *Marcalus Manufacturing Co.*, 326 U.S. 249, 256 (1945)). The Court refused to permit a patentee to misuse the leverage of the patent monopoly in this man-

ner. *Id.* at 33. In addition, the Court found it "peculiarly significant" that the royalty provisions in the agreement at issue were the same for the post-expiration period as for the monopoly period. *Id.* at 31-32. PPG argues that *Brulotte* controls this case.

On the other hand, in *Aronson* v. *Quick Point Pencil Co.*, 440 U.S. 257 (1979), relied on by plaintiff, the Supreme Court addressed the issue "whether federal patent law pre-empts state contract law so as to preclude enforcement of a contract to pay royalties to a patent applicant, on sales of articles embodying the putative invention, for so long as the contracting party sells them, if a patent is not granted." 440 U.S. at 258-59. While a patent application was pending, Mrs. Aronson contracted for the manufacture and sale of her invention of keyholders. The contract expressly provided that if a patent was not granted, the royalty payments would be reduced by 50%. *Id.* at 259. After reviewing the policies of federal patent law, the Supreme Court upheld the enforcement of the contract for the sale of what it considered to be a generic trade secret.[3] *Id.* at 262-63; *see also Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470 (1974). The manufacturer's obligation to make continuing royalty payments was viewed as a reasonable *quid pro quo* for the privilege of introducing a new product to the market. *Id.* at 263.

The Court stressed, however, that Mrs. Aronson failed to obtain a patent. The Court noted that "[i]t is quite true that had she succeeded, she would have received a . . . royalty only on keyholders sold during the 17-year

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[3] The Supreme Court defined trade secret as "confidential information . . . not disclosed in the normal process of exploitation." 440 U.S. at 266 (citing Restatement of Torts §757 comment b (1939)).

life of the patent." Id. at 263-64. Furthermore, attempting to reconcile its holding with that of *Brulotte,* the Court stated that "[h]ere the reduced royalty which is challenged, far from being negotiated 'with the leverage' of a patent, rested on the contingency that no patent would issue . . . ." *Aronson,* 440 U.S. at 265.

The case at bar starkly illustrates the conclusive effect of legal characterization. *See generally* E. Levi, *An Introduction To Legal Reasoning* 2-3, 5 (1949). If Meehan sold a pure trade secret, then *Aronson* dictates that he receive royalties as contracted for until December 19, 1984. In contrast, if Meehan assigned patent rights, either exclusively or in combination with a trade secret, then *Brulotte* nullifies the contractual obligation to pay royalties after January 4, 1983 as a matter of overriding federal law. After considering all of the materials submitted by the parties, the court concludes that the assignment contract at issue and the subsequent events pursuant thereto sufficiently implicate federal patent policy to prohibit the payment of royalties to Meehan beyond the life of the U.S. patent.

First, the face of the contract indicates that Meehan intended to convey and PPG intended to receive much more than a mere trade secret. In addition to the exclusive right to "make, use, manufacture and vend" the invention, Meehan contracted to assign to PPG "the full and exclusive right to apply for and obtain . . . patents or other like protection . . . ." Exhibit "A" to Complaint at ¶2. Numerous other provisions show that the parties clearly contemplated the early application for patent protection. *E.g., id.* at ¶¶6, 8(a), 8(b), 9, and 10. Indeed, ¶8(a) obligated PPG to immediately determine whether the invention was patentable and if, in its judgment, the invention was patentable, then to file and prosecute with

diligence a U.S. patent application. Although such a filing is perhaps not mandatory under the imprecise language of this provision, the court recognizes that good faith is an implied term of every contract. *See* Restatement (Second) of Contracts §205 (1981); *ABA Distributors, Inc.* v. *Adolph Coors Co.*, 542 F. Supp. 1272, 1285 (W.D. Mo. 1982) (applying Missouri law). In this light, ¶8(a) strongly suggests that the parties expected PPG to seek U.S. patent protection at the earliest possible date. Moreover, in the event that a patent issued, ¶8(b) explicitly provides that it is the property of PPG. Thus, the court refuses to believe that Meehan innocently negotiated for the sale of a trade secret without the prospect of patent protection.

Second, the contract provides for royalty payments in gross, with no segregation among the various patents issued and no distinction between amounts owing during and after the life of the patents. Unlike Mrs. Aronson, Meehan did not bargain for a reduced payment in the event that no patent issued. Nor did he contract for reduced payments after the expiration of any patents issued. Thus, the contract terms require the payment of royalties on U.S. sales of the invention occurring after the expiration of the pertinent U.S. patent at the same rate before and after expiration, in contravention of *Brulotte*.

Third, the court declines Meehan's invitation to restrict its inquiry to the intent of the parties on the contract date. The court also weighs the subsequent conduct of the parties pursuant to the contract. The most important fact in this regard is the successful application for patents. This distinguishes *Aronson* and implicates federal patent policy. The constitutionally protected patent monopoly, as well as its concomitant rights and obligations,

gives way to the public domain after seventeen years. *See Brulotte,* 379 U.S. at 31; *cf. Aronson,* 440 U.S. at 263-64.

Finally, federal patent policy proscribes the extension of the patent monopoly beyond the life of the patent in this case. Enforcement of the royalty provision until December 19, 1984 would deprive "the consuming public . . . [of] the benefits of the unrestricted exploitation, by others," of Meehan's invention. *Scott Paper,* 326 U.S. at 255. If Meehan's construction were sustained, "the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there." *Brulotte,* 379 U.S. at 32-33. There can be little doubt that as long as PPG is obligated to pay royalties to Meehan, the market will not be "free" since the consuming public will ultimately have to bear the burden of PPG's costs as reflected in the price of its product.

Undaunted by these considerations, plaintiff assiduously attempts to distinguish *Brulotte* on the basis that Meehan had not applied for a patent at the time of the contract. It is true that *Brulotte* involved licenses for patents already issued and the improper use of leverage on those patents. The holding in *Brulotte,* however, was not expressly limited to these facts. Furthermore, other courts, in applying *Brulotte* to assignments of patent rights similar to the contract at issue, have not been detained by the absence of a patent at the time of executing the contract. *E.g., Pitney Bowes, Inc.* v. *Mestre,* 701 F.2d 1365 (11th Cir.), *cert. denied,* 104 S.Ct. 239 (1983); *Pipkin* v. *FMC Corp.,* 427 F.2d 353 (5th Cir. 1970); *contra, Boggild* v. *Kenner Products,* 576 F. Supp. 533 (S.D. Ohio 1983), *argued,* No. 84-3467 (6th Cir. March 26, 1985). Finally, the factors discussed above strongly support the application of *Brulotte* to the facts of this case.

Even assuming *arguendo* that the contract at issue embodies a "hybrid" agreement to sell both a trade secret and patent rights, the court refuses to ignore the patent rights assigned and the federal patent policy arising from the subsequent issuance of patents. The Eleventh Circuit has squarely held that such a hybrid agreement is unenforceable insofar as it requires royalty payments beyond the expiration of U.S. patents. *Pitney Bowes,* 701 F.2d at 1373.[4] Confronted with an issue of characterization like the one before this court, the Eleventh Circuit reasoned that "[w]hen a patent issues, the potential exists for direct conflict between federal patent law and state trade secret law. When such a conflict occurs, the question is . . . one of federal supremacy." 701 F.2d at 1372. In turn, "federal supremacy requires that federal patent law determine the rights under the agreement." *Id.* at 1372 n.12. The court concludes that the issuance of a U.S. patent in this case created a conflict between federal patent law and state trade secret law to be resolved in favor of the former.

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[4] Although not cited by Meehan, one federal court has declined to follow *Pitney Bowes* on similar facts, because, in the court's view, "the Eleventh Circuit over extended [sic] the *Brulotte* rule." *Boggild,* 576 F. Supp. at 536. This court, however, has carefully reviewed both decisions and finds *Boggild* unpersuasive for the following reasons: 1) it ignores the language in *Aronson* indicating that the outcome would have been different had a patent issued; 2) it omits any reference to the fact that the contract in question did not distinguish between the amount of royalties to be paid a) if a patent issued and if no patent issued and b) before and after the expiration of the patent; and 3) it inadequately heeds the federal patent policy of a free market for the post-expiration period.

III. *Conclusion*

For the foregoing reasons, the court holds that the royalty provisions of the assignment contract were unenforceable as a matter of overriding federal patent law after January 4, 1983, when the U.S. patent covering plaintiff's invention expired. There being no disputed issue of material fact in this regard, defendant is entitled to judgment as a matter of law. Therefore, the court grants defendant's motion for summary judgment and denies that of plaintiff. The case is dismissed with prejudice.

ENTER:

/s/ Bernard M. Decker
United States District Judge

DATED: July 3, 1985.

JUDGMENT — ORAL ARGUMENT

UNITED STATES COURT OF APPEALS

For the Seventh Circuit

Chicago, Illinois 60604

September 26, 1986

Before

Hon. WALTER J. CUMMINGS, *Chief Judge*

Hon. WILLIAM J. BAUER, *Circuit Judge*

Hon. JOEL M. FLAUM, *Circuit Judge*

No. 85-2495

JOHN C. MEEHAN,

Plaintiff-Appellant,

vs.

PPG INDUSTRIES, INC.,

Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Illinois Eastern Division

No. 84 C 6967

Judge BERNARD M. DECKER

This cause was heard on the record from the United States District Court for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, IT IS ORDERED AND ADJUDGED by this Court that the judgment of the said District Court in this cause appealed from be, and the same is hereby, AFFIRMED, with costs, in accordance with the opinion of this Court filed this date.

AGREEMENT

THIS AGREEMENT, entered into by and between J. C. MEEHAN, Post Office Box 211, LaGrange, Illioois (hereinafter referred to as "MEEHAN") and HOFFMAN-TAFF, INC., a Missouri corporation (hereinafter referred to as "HOFFMAN-TAFF") with its principal office in Springfield, Missouri.

WITNESSETH:

WHEREAS, MEEHAN has conceived an invention relating to a certain method and apparatus for the packaging and dispensing of certain liquid products such as, but not limited to, a mixture of methyl ether of ethylene glycol and glycerol, described in United States Patent No. 2,952,121 and United States Patent No. 3,032,971, which is useful when added to hydrocarbon fuel used in internal combustion engines for the prevention of ice formation during operating of such internal combustion engines (hereinafter referred to as "method and apparatus"), and

WHEREAS, MEEHAN is desirous of selling and assigning such invention to HOFFMAN-TAFF, and HOFFMAN-TAFF is desirous of purchasing said invention from MEEHAN,

NOW, THEREFORE, IT IS HEREBY AGREED:

1. Attached hereto and made a part hereof is a full disclosure of the invention of MEEHAN, the disclosure including all the information in MEEHAN'S possession needed for a full and complete understanding of MEEHAN'S invention, the sufficiency of which is hereby acknowledged by HOFFMAN-TAFF.

2. For and in consideration of the sum of Five Thousand Dollars ($5,000.00) paid by HOFFMAN-TAFF to MEEHAN, the receipt whereof is hereby acknowledged, and for and in consideration of the further payments hereinafter set forth, MEEHAN doth hereby sell, assign and transfer unto HOFFMAN-TAFF, its successors and assigns, the full and exclusive right to apply for and obtain in the name and as the attorney of MEEHAN, or in such other manner as the case may require, but at the sole cost of HOFFMAN-TAFF, patents or other like protection or rights for and in respect to the said method and apparatus covered by this contract in the United States and all foreign countries, whether Letters Patent are granted or not, and all the right and authority of MEEHAN to make, use, manufacture and vend the said method and apparatus in any and all countries of the world; the same to be held by HOFFMAN-TAFF, its successors and assigns, for its own use and behoof as fully as the same would have been held and enjoyed by MEEHAN had this assignment and sale not been made.

3. As further consideration for such assignment, HOFFMAN-TAFF shall and will pay to MEEHAN the following additional sums:

(a) When the gross sales of HOFFMAN-TAFF, and/or of its duly authorized licensee or agent, derived from selling or otherwise utilizing said method and apparatus reaches the amount of Fifty Thousand Dollars ($50,000.00), HOFFMAN-TAFF shall pay an additional Three Thousand Dollars ($3,000.00) to MEEHAN.

(b) When the gross sales of HOFFMAN-TAFF, and/or of its duly authorized licensee or agent,

derived from selling or otherwise utilizing said method and apparatus reaches the amount of One Hundred Thousand Dollars ($100,000.00), HOFFMAN-TAFF shall pay an additional Three Thousand Dollars ($3,000.00) to MEEHAN.

(c) When the gross sales of HOFFMAN-TAFF, and/or of its duly authorized licensee or agent, derived from selling or otherwise utilizing said method and apparatus reaches the amount of One Hundred Fifty Thousand Dollars ($150,-000.00), HOFFMAN-TAFF shall pay an additional Three Thousand Dollars ($3,000.00) to MEEHAN.

(d) When the gross sales of HOFFMAN-TAFF, and/or of its duly authorized licensee or agent, derived from selling or otherwise utilizing said method and apparatus reaches the amount of Two Hundred Fifty Thousand Dollars ($250,-000.00),HOFFMAN-TAFF shall pay an additional Three Thousand Dollars ($3,000.00) to MEEHAN.

(e) When the gross sales of HOFFMAN-TAFF, and/or of its duly authorized licensee or agent, derived from selling or otherwise utilizing said method and apparatus reaches the amount of Three Hundred Fifty Thousand Dollars ($350,-000.00), HOFFMAN-TAFF shall pay an additional Five Thousand Dollars ($5,000.00) to MEEHAN.

(f) After the above gross sales of HOFFMAN-TAFF, and/or of its duly authorized licensee or agent, have reached the sum of Three Hundred

Fifty Thousand Dollars ($350,000.00), the following schedule of payments from HOFFMAN-TAFF to MEEHAN shall apply per annum (each twelve (12) month period thereafter):

(1) On the first Five Hundred Thousand Dollars ($500,000.00) (or on any part thereof) in net sales per annum by HOFFMAN-TAFF, or its duly authorized licensee or agent, HOFFMAN-TAFF shall pay MEEHAN a sum calculated at a rate of three per cent (3%) of net sales.

(2) On the next Five Hundred Thousand Dollars ($500,000.00) (or on any part thereof) in net sales per annum by HOFFMAN-TAFF, or its duly authorized licensee or agent, HOFFMAN-TAFF shall pay MEEHAN a sum calculated at a rate of two and three-fourths per cent (2 ¾%) of net sales.

(3) On the next Million Dollars ($1,000,000.00) (or on any part thereof) in net sales per annum by HOFFMAN-TAFF, or its duly authorized licensee or agent, HOFFMAN-TAFF shall pay MEEHAN a sum calculated at a rate of two and a half per cent (2 ½%) of net sales.

(4) On the next Million Dollars ($1,000,000.00) (or on any part thereof) in net sales per annum by HOFFMAN-TAFF, or its duly authorized licensee or agent, HOFFMAN-TAFF shall pay MEEHAN a sum calculated at a rate of two and one-fourth per cent (2 ¼%) of net sales.

(5) On tho next Million Dollars ($1,000,000.00) (or on any part thereof) in net sales per annum by HOFFMAN-TAFF, or its duly authorized licensee or agent, HOFFMAN-TAFF shall pay MEEHAN a sum calculated at a rate of two per cent (2%) of net sales.

(6) On the next Million Dollars ($1,000,000.00) (or on any part thereof) in net sales per annum by HOFFMAN-TAFF, or its duly authorized licensee or agent, HOFFMAN-TAFF shall pay MEEHAN a sum calculated at a rate of one and three-fourths per cent (1 ¾%) of net sales.

(7) On all net sales over Five Million Dollars ($5,000,000.00) (or any part thereof) in net sales per annum by HOFFMAN-TAFF, or its duly authorized licensee or agent, HOFFMAN-TAFF shall pay MEEHAN a sum calculated at a rate of one and one-half per cent (1 ½%) of net sales.

4. "Gross Sales" as used in this contract is defined as total receipts from the customer. "Net Sales" as used in this contract is defined as total receipts from the customer less trade and cash discounts and allowances and returns of merchandise, uncollectible accounts, freight charges and all other costs generally recognized by good and acceptable accounting practices.

5. During the thirteenth (13th) month of this agreement, HOFFMAN-TAFF shall pay to MEEHAN an advance payment of Three Thousand Dollars ($3,000.00) for the second year this agreement is in effect, and during the twenty-fifth (25th) month of this agreement, an ad-

vance payment of Three Thousand Dollars ($3,000.00) for the third year this agreement is in effect, said advance payments to be credited to HOFFMAN-TAFF against payments accruing to MEEHAN during each of said years. In the event that payments due to MEEHAN at the end of the third year, or any subsequent year, this agreement is in effect does not exceed Three Thousand Dollars ($3,000.00), MEEHAN shall have the option of cancelling this agreement by notice in writing within sixty (60) days after the end of each year and HOFFMAN-TAFF agrees to reassign such patents or patent applications included within this agreement to MEEHAN and to refrain from further using the method and apparatus disclosed to HOFFMAN-TAFF by MEEHAN, provided, however, that if the gross sales by HOFFMAN-TAFF are limited, restricted or decreased for any reason beyond the control of HOFFMAN-TAFF such as, but not limited to, war, governmental regulations, strikes or unavailability of materials, and such decrease in sales as is of a temporary nature, then and in such event MEEHAN's option to terminate shall not be exercised until HOFFMAN-TAFF has a reasonable time, under the circumstances to correct the default.

6. The payments above provided for shall be payable by HOFFMAN-TAFF to MEEHAN for a period of time not to exceed the life of any patent or patents granted upon the method and apparatus covered by this contract, and if no patent is granted, for a period of time not to exceed ten (10) years from the date of this contract.

7. HOFFMAN-TAFF shall render quarterly, or at such times as the parties may hereafter agree in writing, to MEEHAN a full and complete report accounting for

all sales and receipts in such detail as to enable the calculations of Paragraph 3 above to be performed, and a payment covering the period of each report shall be made at the time each report is rendered. At all reasonable times, the records of HOFFMAN-TAFF shall be available to MEEHAN or his representatives for inspection. If MEEHAN requires an independent audit of the books and records of HOFFMAN-TAFF pertaining to this agreement, and should such audit reveal material differences with reports as therefore rendered by HOFFMAN-TAFF to MEEHAN, then and in such event, HOFFMAN-TAFF shall pay the cost of such audit; otherwise, such audit shall be at the cost and expense of MEEHAN.

8. (a) HOFFMAN-TAFF shall immediately, at its own cost and expense, take such steps as may be necessary to determine whether the method and apparatus covered by this agreement may be patented, and if, in the sole judgment of HOFFMAN-TAFF and its attorneys, such method and apparatus may be patented, then HOFFMAN-TAFF shall file and prosecute with diligence an application for United States Letters Patent and such foreign patent applications as HOFFMAN-TAFF in its sole discretion may deem advisable. The terms of this agreement, as to payments to MEEHAN, are not dependent upon the issuance of any patent.

(b) MEEHAN shall render to HOFFMAN-TAFF and its attorneys, at the expense of HOFFMAN-TAFF, such technical assistance within MEEHAN's knowledge as may be necessary in prosecuting to a successful conclusion such application for Letters Patent. If Letters Patent are granted, MEEHAN shall execute and deliver to HOFFMAN-TAFF all assignments and other instruments that may be necessary to legally and completely

assign, transfer and convey to HOFFMAN-TAFF said Letters Patent.

9. MEEHAN shall from time-to-time hereafter supply to HOFFMAN-TAFF promptly, time being of the essense, any and all information regarding said method and apparatus and improvements thereon, which information may come into the possession of MEEHAN subsequent to the execution of this agreement. Any improvements made on said method and apparatus by MEEHAN shall be deemed forthwith assigned under the terms of this agreement. Any and all further drawings, notes or models hereafter conceived by MEEHAN shall be delivered to HOFFMAN-TAFF and shall be deemed forthwith assigned under the terms of this agreement. Patents obtained as a result of information supplied by MEEHAN in accordance with this paragraph shall extend the term of this agreement in accordance with Paragraph 6 above.

10. MEEHAN will, upon the request and at the expense of HOFFMAN-TAFF, furnish all information within MEEHAN's knowledge and execute any and all papers, drawings, affidavits and applications which HOFFMAN-TAFF may deem necessary for the purpose of making application for Letters Patent on such method and apparatus.

11. In the event a device, method or apparatus which is not disclosed by MEEHAN, nor fairly taught by MEEHAN'S disclosure, is subsequently conceived and offered to the market by others not acting in concert with HOFFMAN-TAFF, whether patented or not, and which device, method or apparatus makes obsolete and unmarketable the method and apparatus of MEEHAN covered by this contract, and HOFFMAN-TAFF deems it necessary to

acquire or use such new method or apparatus, then in such event, HOFFMAN-TAFF shall notify MEEHAN in writing by registered mail and all royalties payable thereafter under this contract shall cease, provided that HOFFMAN-TAFF ceases to use the method and apparatus of MEEHAN.

12. Any improvements in the method and apparatus covered by this agreement, developed or invented by HOFFMAN-TAFF or other inventors for and on behalf of HOFFMAN-TAFF, or acquired or assigned to HOFFMAN-TAFF, whether generic or not, shall be the exclusive property of HOFFMAN-TAFF, and shall not be subject to any further claims, rights or negotiation by MEEHAN.

13. MEEHAN shall hereafter keep and hold secret and confidential all information pertaining to the method and apparatus covered by this agreement and shall not disclose (except as required by law) said invention or any information, discovery, improvement or further invention in connection therewith or relating or generic thereto, and shall not disclose any information concerning the terms and provisions of this agreement or the sales made by HOFFMAN-TAFF of the method and apparatus covered by this agreement or the commissions received by MEEHAN under the provisions of this agreement, to any person other than HOFFMAN-TAFF (personal agents, attorneys, accountants and the like of MEEHAN being excepted) nor shall he hereafter permit any other person, firm, organization or corporation to have access to or to inspect any disclosure, documents, drawings or models which MEEHAN now has or hereafter acquires (except as required by law) relating to a method or apparatus for the packaging and dispensing of fuel additives which,

when added to hydrocarbon fuel, may be useful in the prevention of ice formation in the fuel systems of internal combustion engines.

14. In the event MEEHAN has heretofore disclosed to other parties any information relating to the method or apparatus covered by this agreement under restrictive or confidentiality agreements, MEEHAN shall, at the expense of HOFFMAN-TAFF, take such procedures and actions as may be necessary to fully and completely enforce any and all such agreements.

15. MEEHAN hereby warrants that he is the sole and only owner of the method and apparatus mentioned in this agreement and all information, drawings, plans and models, if any, relating thereto, and that he has the full and unrestricted right to dispose of the same under the terms of this agreement.

16. In the event MEEHAN fails or refuses to perform and carry out any of the terms, covenants and agreements of this agreement on his part to be performed, HOFFMAN-TAFF shall notify MEEHAN in writing of MEEHAN'S breach of this agreement and unless MEEHAN shall have corrected said breach within sixty (60) days after such notification, unless such breach is a disclosure in violation of Paragraph 13 of this agreement in which event a seven (7) day notice shall be required, then this agreement shall be considered terminated and all payments hereinabove called for to be made by HOFFMAN-TAFF to MEEHAN shall cease, and there shall be no liability on the part of HOFFMAN-TAFF to return to MEEHAN any disclosures, drawings, models or information pertaining to the method and apparatus covered

by this agreement, whether furnished by MEEHAN or subsequently acquired by HOFFMAN-TAFF, and, in the event of such default by MEEHAN, HOFFMAN-TAFF may continue to market the method and apparatus covered by this agreement without payment of any kind to MEEHAN.

17. In the event HOFFMAN-TAFF fails to render the reports and make the payments called for in this agreement, or if HOFFMAN-TAFF should default in the performance of any of the other covenants and agreements herein upon its part to be performed, then and in any such event, MEEHAN shall notify HOFFMAN-TAFF, in writing, of such defaults, and if such defaults are not completely remedied within a period of sixty (60) days after such notification, MEEHAN shall have the right to declare this agreement null and void, in which event the ownership of the method and apparatus covered by this contract shall be returned to MEEHAN, and HOFFMAN-TAFF will withdraw from the marketing and sale of such method and apparatus, and any patent or patents obtained by HOFFMAN-TAFF and coming within the terms of this agreement shall be reassigned by HOFFMAN-TAFF to MEEHAN.

18. Notices, reports and payments shall be deemed to be given or served upon the parties hereto when sent by registered mail, postage prepaid to the addresses of the parties first appearing above.

19. This contract shall be governed by the laws of the State of Missouri.

20. This contract shall be binding upon and inure to the benefit of the heirs, legal representatives, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties have hereunto set their signatures as of the day and place set out below.

Dated January 30, 1964
Chicago, Illinois

/s/ J. C. Meehan
J. C. Meehan

HOFFMAN-TAFF, INC.

Dated January 28, 1964

By /s/ A. Hoffman
President

ATTEST:

/s/ Harry G. Neale
Secretary

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

JOHN C. MEEHAN, Plaintiff,	)	Civil Action No. 84 C 6967
v.	)	
PPG INDUSTRIES, INC., Defendant.	)	Judge Decker

AFFIDAVIT

JOHN C. MEEHAN, being duly sworn, on oath deposes and says as follows:

1. My name is John C. Meehan. I am 64 years of age. I reside at 519 North Brainerd Avenue, LaGrange Park, Illinois. I am the plaintiff in Civil Action No. 84 C 6967.

2. From 1954 until 1977 I was a commissioned salesman for F. W. Sieffert & Son of Chicago who marketed plumbing and heating supplies. In 1977 I organized my own company with one of my sons to market plumbing and heating supplies including providing a warehouse facility for inventory of such supplies. I am now in this business.

3. I am the same John C. Meehan who executed on January 30, 1964 the agreement attached to the Complaint in the above action as part of Exhibit A. I was intimately involved in negotiating the major provisions of this agreement with PPG's predecessor Hoffman-Taff, Inc. and with Hoffman-Taff attorneys in Springfield, Missouri.

4. In the period late 1962 - early 1963 I conceived the "Method and Apparatus" referred to in the above agreement. My "Method and Apparatus" was intended primarily for use in hydrocarbon fuel for private aircraft as a de-icer to prevent "flame-out" of such aircraft engines. It also provided desirable antibacterial action in the fuel tanks of such aircraft. I am attaching hereto Exhibits 1-5 which are brochures provided to me by Hoffman-Taff, Inc., Houston Chemical (a former division of PPG) and by PPG Industries, Inc. which refer to the above desirable functions of my "Method and Apparatus".

5. In April 1963 I disclosed my "Method and Apparatus" to my former neighbor, attorney Lloyd W. Mason, who from information provided by me assisted in preparing a written disclosure of my "Method and Apparatus" which I might use in approaching various companies to interest them in commercializing my development. I also asked attorney Mason to help me in preparing a reasonable confidentiality agreement which I could ask a company to sign prior to my disclosing my "Method and Apparatus" to such company.

6. In 1963 I also researched and prepared an analysis of potential markets for, and profit potential of, my "Method and Apparatus". A copy of this market analysis is attached hereto as Exhibit 6.

7. In 1963 I did not have the economic resources to manufacture and/or market on my own my "Method and Apparatus". Therefore, at this time I intended to simply sell my development in my "Method and Apparatus" to some company for its commercial exploitation. I also intended that the company pay me some fixed sum to cover my time and expenses incurred in the formulation of the development of my "Method and Apparatus", after which

I would share in the company's risk by being compensated from the company's sale of product or products utilizing my "Method and Apparatus".

8. Throughout the year 1963 I attempted to interest various companies in manufacturing and marketing my "Method and Apparatus". One of the companies which I approached was Hoffman-Taff, Inc. of Springfield, Missouri (PPG's predecessor). Late in 1963 I discussed with Hoffman-Taff the general nature of my "Method and Apparatus" development. From this discussion Hoffman-Taff desired to know more about my development, and I required this company to execute a confidentiality agreement (as referred to above), which Hoffman-Taff did on December 4, 1963 (Exhibit 7). This confidentiality agreement was sent to me by Hoffman-Taff's letter of December 10, 1963 (Exhibit 8). Immediately thereafter I provided Hoffman-Taff with the disclosure of my "Method and Apparatus" development in the form attached to the Complaint in this action as part of Exhibit A. I also provided Hoffman-Taff with my marketing analysis referred to above (Exhibit 6).

9. In the last half of December 1963 Hoffman-Taff invited me to its offices in Springfield, Missouri to discuss a business arrangement by which Hoffman-Taff could acquire the "Method and Apparatus" development which I had disclosed to them. Hoffman-Taff's attorney Harry G. Neale of Neale, Newman, Bradshaw, Freeman & Neale was present at this meeting together with Fred J. Rauscher, Vice President - Director of Marketing, of Hoffman-Taff. There were other principals of Hoffman-Taff present during at least part of the meeting whose names I cannot remember at this time.

10. Following the above conference, our oral understanding was incorporated by Hoffman-Taff in the present written agreement and was mailed to my business address in LaGrange, Ill., the agreement bearing a date of execution by Hoffman-Taff of January 28, 1964. I executed the agreement on January 30, 1964 and returned two signed copies of the agreement to Hoffman-Taff.

11. As of January 30, 1964 I had not filed any U. S. or foreign patent applications on my "Method and Apparatus"; nor did I have issued to me any U. S. or foreign patents on my "Method and Apparatus". At this time I did not have the personal resources for such matters primarily because two of my five children were approaching college age.

12. In a letter of March 24, 1964 (Exhibit 9) Hoffman-Taff sent to me a copy of a U. S. patent application on my "Method and Apparatus" (bearing the name of its patent attorneys Bacon & Thomas of Washington, D.C.) which I executed on March 30, 1964 in accordance with Hoffman-Taff's instructions. I am attaching (Exhibit 10) a copy of the Oath, Power of Attorney and Petition in this patent application. I am also attaching (Exhibit 11) a copy of the assignment to Hoffman-Taff of this patent application which I also executed on March 30, 1964, then returning both documents to Hoffman-Taff in accordance with their instructions.

13. In a letter from Hoffman-Taff dated October 7, 1965 (Exhibit 12) I received assignments relating to the filing of patent applications in Canada and in Great Britain (Exhibits 13 and 14). I executed both of these documents and had attorney Mason return them to Hoffman-Taff with a letter dated October 18, 1965 (Exhibit 15).

14. Throughout the term of the agreement, I have performed, and I am ready to perform, any and all of my personal service obligations which are set out in paragraphs 8-14 of the present agreement.

15. Hoffman-Taff initially reported to me its Gross Sales of my "Method and Apparatus" until the Gross Sales reached the sum of $350,000, as provided in paragraph 3a-e of the agreement. No reference in any of these reports of Hoffman-Taff have indicated that the "Gross Sales" were restricted to devices utilizing my "Method and Apparatus" which are covered by any of the U. S. and foreign patents which Hoffman-Taff obtained. I have prepared a summary of these reports showing the Gross Sales by calendar year which I am attaching hereto as Exhibit 16.

16. After the Gross Sales reached $350,000, PPG reported to me the "Net Sales" by them of devices utilizing the "Method and Apparatus" which I disclosed to Hoffman-Taff. No reference in any of the reports of PPG prior to 1983 have indicated that the "Net Sales" were restricted to devices utilizing my "Method and Apparatus" which are covered by any of the U. S. and foreign patents which PPG obtained. I have prepared a summary of these reports showing the "Net Sales" by calendar year which I am attaching hereto as Exhibit 17. The payments to me by PPG have been based on these "Net Sales".

17. I have received no payment from PPG under the agreement covering a period of time subsequent to January 4, 1983. Accompanying an Accounting Department

memo dated April 8, 1983 from PPG, I received a check designated as payment up to the date January 4, 1983. The Accounting Department memo bears the notation "Patent expires 1/4/83 - Final Payment" (Exhibit 18).

Further affiant sayeth not.

/s/ John C. Meehan
John C. Meehan

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

Subscribed and sworn to before me this 25th day of October, 1984.

/s/ June L. Sexton
Notary Public

EXHIBIT 17

Year	PPG Industries Net Sales
1969	$ 139,863.90
1970	112,424.90
1971	166,612.51
1972	208,438.60
1973	303,629.49
1974	373,338.46
1975	383,515.73
1976	433,102.46
1977	584,223.68
1978	797,509.73
1979	977,771.94
1980	1,377,185.11
1981	1,553,591.13
1982	1,524,000.21